

Message Text

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INFO OCT-01 ISO-00 AID-05 AGR-10 EB-07 TRSE-00 SMI-01

COME-00 OMB-01 XMB-04 SP-02 NSC-05 CIEP-02 SS-15

STR-04 CEA-01 CIAE-00 FRB-01 INR-07 NSAE-00 USIA-15

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SUBJECT: HEMISPHERIC AGRICULTURAL GROUP (IGAD/LA)

REF(A) STATE 024219, (B) 75 MEXICO A-471.

1. AS WASHINGTON IS AWARE, THE SLOW INCREASE IN AGRICULTURAL PRODUCTION CONSTITUTES ONE OF MEXICO'S MAJOR ECON PROBLEMS. ACCORDING TO BANK OF MEXICO DATA, AGRICULTURAL OUTPUT EXCLUDING LIVESTOCK INCREASED ONLY 13R PERCENT IN CONSTANT PRICES FROM 1964 TO 1974, THOUGH FOOD CROP PRODUCTION, WHICH APPARENTLY ACCOUNTS FOR ABOUT 70 PERCENT OF AGRICULTURAL OUTPUT, MAY HAVE INCREASED SOMEWHAT MORE. GOM IS WELL AWARE OF PROBLEM, AND IS ATTEMPTING TO BOOST PRODUCTION THROUGH GREATER PUBLIC SECTOR SPENDING AND REORGANIZATION. THEY ARE LIMITED BY BUDGETARY AND POLITICAL CONSTRAINTS.

2. THE PERCENTAGE OF TOTAL PUBLIC SECTOR EXPENDITURE BUDGETED FOR THE AGRICULTURAL SECTOR IS VIRTUALLY UNCHANGED FROM 20.1 PERCENT IN 1975 TO 20.0 PERCENT IN 1976. THE COMPARABLE FIGURE FOR 1974 WAS 14.4 PERCENT. THE GOM APPARENTLY BELIEVED THAT ANOTHER SIGNIFICANT BOOST IN THE SHARE OF EXPENDITURE FOR
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AGRICULTURE WAS NOT POSSIBLE AND THEY MAY NEED ADDITIONAL TIME TO

DIGEST THE BIG INCREASE IN 1975. THIS REFLECTS IN PART THE CONTINUING BELIEF THAT ONLY THROUGH MORE RAPID INDUSTRIAL GROWTH WILL MORE JOBS BE CREATED. THE GOM HAS TO BALANCE THE NEED TO CREATE JOBS FOR THE RAPIDLY GROWING WORK FORCE WITH THE NEED TO BOOST PRODUCTION AND PRODUCTIVITY IN THE AGRICULTURAL SECTOR. BY AND LARGE, PRODUCTION INCREASES WILL RESULT FROM GREATER PRODUCTIVITY, THEREFORE REDUCING JOB OPPORTUNITIES IN THIS SECTOR. MEXICO WOULD, WE PRESUME, BE INTERESTED IN TECHNOLOGY THAT WOULD BE LABOR-INTENSIVE OR COULD RESULT IN INCREASED EMPLOYMENT IN AGRICULTURAL PRODUCTION AND PROCESSING.

3. THERE ARE MANY POLITICAL CONSTRAINTS TO INCREASED AGRICULTURAL OUTPUT. AMONG THESE IS THE SYSTEM OF LAND TENURE. AS NOTED IN REF B, GOM IS ATTEMPTING TO COLLECTIVIZE EJIDOS IN ORDER TO INCREASE THEIR PRODUCTIVITY. THE OTHER SIDE OF THE COIN IS THAT LAND REFORM IS AN ON-GOING PROCESS. LAND OWNERS MUST LIVE WITH THE POSSIBILITY THAT THEIR FARMS WILL BE SEIZED EITHER FORMALLY OR THROUGH LAND INVASIONS, SUPPOSEDLY TO CREATE MORE EJIDOS. THIS TYPE OF INVASION APPEARS TO REACH A HIGH POINT IN THE LAST YEAR OF A PRESIDENTIAL TERM, OR DURING A PRESIDENTIAL CAMPAIGN. THUS, A GOOD PART OF MEXICO'S FARMLAND IS EITHER OWNED BY THE GOVERNMENT FOR THE BENEFIT OF AN EJIDO, OR RUNS THE RISK OF BEING SUBJECT TO FORMAL OR INFORMAL SEIZURE. INFORMAL AND EXTRA-LEGAL LAND CONTROL ARRANGEMENTS ABOUND IN MEXICO. THIS UNCERTAINTY OVER OWNERSHIP MUST DISCOURAGE SOME INVESTMENT IN LAND IMPROVEMENTS BY PRIVATE PROPRIETORS. HOWEVER, THE GOM DOES NOT APPEAR WILLING AND ABLE TO GUARANTEE PRIVATE PROPRIETORS AGAINST CONFISCATION LARGELY BECAUSE THE IDEA OF LAND REFORM IS SO DEEPLY IMBEDDED IN MEXICO'S REVOLUTION RHETORIC. RECENT PRESS REPORTS THAT THE MAXIMUM HOLDING ALLOWED IN NEW IRRIGATION PROJECTS WOULD BE REDUCED FROM 100 TO 20 HECTARES IS OF PARTICULAR CONCERN. MEXICO IS LOOKING FOR AN EFFECTIVE MEANS TO MAKE THE EJIDO SYSTEM MORE PRODUCTIVE. THE SOLUTIONS PROPOSED TO DATE DO NOT SEEM TERRIBLY PROMISING.

4. THE RAPID POPULATION GROWTH AND ITS IMPACT ON AGRICULTURE CANNOT BE OVERLOOKED. WITH 3.5 PERCENT MORE MOUTHS TO FEED EACH

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YEAR, MEXICO WILL BE HARD PRESSED TO ELIMINATE THE CURRENT FOOD DEFICIT. A SUSTAINED GROWTH RATE FOR AGRICULTURAL OUTPUT OF 4 PERCENT IS DIFFICULT TO ACHIEVE UNDER MUCH BETTER CONDITIONS THAN PREVAIL IN MEXICO, BUT SUCH A GROWTH RATE IS NECESSARY IF MEXICO IS TO BECOME A SURPLUS AGRICULTURAL PRODUCER AGAIN, AND PERMIT A BETTER DIET FOR MEXICANS. ALSO, IT SHOULD BE NOTED THAT THE RAPID POPULATION GROWTH RATE AFFECTS THE DISTRIBUTION OF PUBLIC SECTOR FUNDS BETWEEN

THE VARIOUS SECTORS AND IS ONE REASON INDUSTRIAL DEVELOPMENT
IS RECEIVING MORE THAN AGRICULTURE.

3. THE IBRD AND IDB ARE BOTH PROVIDING SUBSTANTIAL
AMOUNTS OF FUNDS TO MEXICO'S AGRICULTURAL SECTOR. AID
MAY WISH TO OBTAIN SOME ADDITIONAL INFORMATION FROM
THEM.

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